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# U.S. Merchandise Trade Performance

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In 2004, U.S. total merchandise trade (exports plus imports) increased \$285.8 billion (15 percent) to \$2.2 trillion. This increase, by value and percent, is more than double the increase in trade that occurred in 2003. U.S. total merchandise trade in 2004 represented 75 percent of total U.S. combined trade (exports plus imports of merchandise and services),<sup>1</sup> an increase from 73 percent in 2003. It also represented 15 percent of real U.S. gross domestic product (GDP), a decrease from 17 percent in 2003. The U.S. merchandise trade deficit expanded from \$598.7 billion in 2003 to \$733.0 billion in 2004, as imports increased approximately three times faster than exports.<sup>2</sup>

Improved economic conditions in the United States and among its trading partners contributed to increased bilateral trade flows in 2004.<sup>3</sup> Factors that fostered this growth in the United States included increases in consumer spending, business fixed investment, housing investment, and government spending.<sup>4</sup> Rising crude petroleum prices, influenced by increasing global demand as well as supply disruptions in locations such as Venezuela and Nigeria, limited economic growth somewhat during 2004 and played a role in pushing import value growth much higher than export value growth during the year.<sup>5</sup>

The economic performance of the United States and its major trading partners improved in 2004, compared with 2003, but the growth of the U.S. economy outstripped the performance of most of its trading partners. As a result, the increase in U.S. demand for foreign goods exceeded the increase in foreign demand for U.S. products. The rate of change in GDP for the United States was 4.4 percent in

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<sup>1</sup> Total U.S. combined trade increased by \$373 billion (15 percent) during 2004 to \$2.9 trillion, according to statistics of the U.S. Department of Commerce (Commerce).

<sup>2</sup> The causes and implications of trade deficits have been a subject of much debate. Articles that discuss this issue include U.S. International Trade Commission, *The Impact of Trade Agreements* (Investigation No. TA-2111-1), USITC publication 3621, Aug. 2003; The Federal Reserve Bank of Chicago-Detroit, "The Upside of Trade Deficits," *FedPoints*, Sept.–Oct. 2000; *The U.S. Trade Deficit: Causes, Consequences, and Recommendations for Action* (Washington, DC: U.S. Trade Deficit Review Commission, Nov. 14, 2000); Pingfan Hong, "Global Implications of the U.S. Trade Deficit Adjustment," *UN/DESA Discussion Paper*, No. 17, Feb. 2001; Daniel T. Griswold, "The U.S. Trade Deficit and Jobs: The Real Story," *Free Trade Bulletin*, No. 3 (Feb. 2003), found at <http://www.freetrade.org/pubs/FTBs/FTB-003.html>, retrieved May 2, 2005; Robert E. Scott, "Fast Track to Lost Jobs: Trade Deficits and Manufacturing Decline are the Legacy of NAFTA and the WTO," Economic Policy Institute Briefing Paper, found at <http://www.epinet.org/briefingpapers/118/bp118.pdf>, retrieved May 13, 2004; and Daniel Griswold, "'Bad News' on the Trade Deficit Often Means Good News on the Economy," *Free Trade Bulletin*, No. 14 (Jan. 11, 2005), found at <http://www.freetrade.org/pubs/FTBs/FTB-014.pdf>, retrieved May 2, 2005.

<sup>3</sup> *Economic Report of the President* (Washington, DC: U.S. Government Printing Office, Feb. 2005), p. 31, found at <http://www.whitehouse.gov/cea/erpcover2005.pdf>, retrieved Apr. 14, 2005.

<sup>4</sup> Commerce reported that consumer spending rose 3.8 percent in 2004. Brian C. Moyer, Shelly Smith, and David F. Sullivan, Bureau of Economic Analysis (BEA), Commerce, "Survey of Current Business," Vol. 85, No. 2 (Feb. 2005), p. 7, found at [http://www.bea.gov/bea/ARTICLES/2005/02February/0205\\_BSA.pdf](http://www.bea.gov/bea/ARTICLES/2005/02February/0205_BSA.pdf), retrieved May 2, 2005.

<sup>5</sup> *Economic Report of the President*, p. 32.

2004,<sup>6</sup> compared with 2.2 percent in the European Union (EU),<sup>7</sup> 4.0 percent in Japan, 4.2 percent in Mexico, and 3.0 percent in Canada.<sup>8</sup> China was a major exception to this trend. Its GDP increased by 9.5 percent in 2004.<sup>9</sup>

Consumer spending, which has long been the linchpin of U.S. economic growth, rose 3.9 percent in 2004,<sup>10</sup> supported by rises in disposable personal income and household wealth. These two indicators rose at an annual rate of 2.3 percent and 6 percent, respectively.<sup>11</sup> Business fixed investment, made up of spending on equipment, software, and structures, increased 9.9 percent in 2004, an increase of 5 percent from 2003.<sup>12</sup> Growth in this area was concentrated in equipment and software, as the nonresidential construction (office and industrial buildings) category remained flat.<sup>13</sup> One subcategory of nonresidential construction, however, consisting of shopping centers and multimerchant structures, improved strongly.<sup>14</sup> Figures for 2004 may be slightly inflated because of the end of certain special investment expensing provisions enacted under the Jobs and Growth Tax Relief Reconciliation Act of 2003 that may have pushed into 2004 some investment that otherwise would have occurred in early 2005.<sup>15</sup>

Low interest rates, which rose only slightly from 2003 levels, encouraged another robust year in residential and housing investment in 2004. Investment increased 6 percent, compared with a 12 percent increase in 2003.<sup>16</sup> Practically all of the increase in government spending in 2004 came at the Federal level, as state and local government spending remained little changed from 2003 levels<sup>17</sup> despite an increase in revenues. Total nominal Federal spending increased 5 percent in 2004, a decrease from 6 percent in 2003, with most of the increase coming from higher defense spending.<sup>18</sup>

The price of crude petroleum purchased by refiners peaked in October 2004 at \$46 per barrel, an increase from \$29 per barrel 10 months earlier. This increase, influenced by rising global demand and

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<sup>6</sup> Moyer, Smith, and Sullivan, "Survey of Current Business," p. 7.

<sup>7</sup> Prior to May 1, 2004, the EU consisted of 15 member countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom. On that date, the EU admitted for membership 10 additional countries: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. Because these countries joined the EU during 2004 (the period of review for this report) and few available statistics have incorporated these countries on an annual or adjusted basis, all textual references in this report to the EU will encompass only the 15 oldest member countries, which will be used as the basis for measurement of shifts in trade with the United States. Tabular references either to the EU or the EU-15 will similarly encompass only the 15 oldest member countries.

<sup>8</sup> Organization for Economic Co-operation and Development (OECD), "Main Economic Indicators 2005," Apr. 2005, p. 259, found at <http://lysander.sourceoecd.org/vl=7640236/cl=65/nw=1/rpsv/ij/oecdjournals/04745523/v2005n4/s1/p11>, retrieved Apr. 20, 2005.

<sup>9</sup> Chinese National Bureau of Statistics, "China's Economic Performance in 2004," found at <http://www.chinability.com/2004%20economic%20performance.htm>, retrieved Apr. 27, 2005.

<sup>10</sup> *Economic Report of the President*, p. 32.

<sup>11</sup> The figure for the rise in disposable personal income was based on the first 11 months of 2004. *Ibid.*, p. 33. Commerce reported that real disposable personal income rose 3.4 percent and that consumer spending rose 3.8 percent in 2004. Moyer, Smith, and Sullivan, "Survey of Current Business," p. 7.

<sup>12</sup> *Economic Report of the President*, p. 34. Commerce reported that business fixed investment rose 10.3 percent in 2004. Moyer, Smith, and Sullivan, "Survey of Current Business," p. 7.

<sup>13</sup> Moyer, Smith, and Sullivan, "Survey of Current Business," p. 7.

<sup>14</sup> BEA official, telephone interview with USITC staff, May 26, 2005.

<sup>15</sup> *Economic Report of the President*, p. 35.

<sup>16</sup> *Ibid.*, p. 34.

<sup>17</sup> Moyer, Smith, and Sullivan, "Survey of Current Business," p. 7.

<sup>18</sup> *Economic Report of the President*, p. 36.

supply disruptions, raised the costs of production for goods that use petroleum or petroleum products as a direct input or in the production process.<sup>19</sup>

The dollar continued depreciating against most major currencies, a trend in place since 2002, albeit at a slower rate of decline than in 2003. In 2004, the dollar fell approximately 7 percent against the euro and the Canadian dollar, versus 17 percent and 18 percent, respectively, in 2003; declined 4 percent against the yen, versus 10 percent in 2003; lost 15 percent against the Korean won, versus a slight appreciation in 2003; and appreciated slightly (1 percent) against the Mexican peso, versus a 7 percent appreciation in 2003.<sup>20</sup> China maintains a fixed rate of exchange between its currency and the dollar of roughly 8.28 yuan per dollar. The further weakening in 2004 of the dollar made U.S. exports more competitive in terms of price and contributed to the overall increase in U.S. exports, while having little apparent restraining effect on overall U.S. imports.<sup>21</sup>

## **U.S. TRADE BY INDUSTRY/COMMODITY GROUPS AND SECTORS**

### **U.S. Trade Balance**

During 2000–2004, expansion of the U.S. merchandise trade deficit reflected significant shifts in exports and imports of key industry/commodity sectors (table US-1).<sup>22</sup> For the first time within this 5-year period, all sectors registered deficits, including the agricultural products sector, which had consistently recorded trade surpluses since 2000 and had been the lone U.S. sector to record any annual trade surplus during this period.<sup>23</sup> The deficit in other sectors worsened in 2004, except for a slight improvement in the deficit in chemicals and related products.

The shift in agricultural products trade from surplus to deficit in 2004 can be attributed in part to the continuing change in consumer preferences for ethnic and more healthful foods and to rising personal income driving out-of-season and exotic food purchases, all of which can be supplied by increased imports. The United States also experienced dramatic decreases in exports of oilseeds as well as cattle and beef, the latter because of the discovery in the United States of the cattle disease Bovine Spongiform Encephalitis (BSE). The U.S. agricultural products sector would have recorded a surplus in 2004 but for the export decreases in these commodities.

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<sup>19</sup> Measurements of the effect of crude petroleum price increases on U.S. GDP vary, but one estimation holds that the \$9 per barrel price increase in the 2004 calendar year may have reduced the 2004 GDP to 4.4 percent from an estimated 4.7–4.8 percent that would have occurred if petroleum prices had remained level. *Ibid.*, p. 32.

<sup>20</sup> Board of Governors of the Federal Reserve System, “Monetary Policy Report to the Congress,” Feb. 11, 2004, p. 25, found at <http://www.federalreserve.gov/boarddocs/hh/2004/february/fullreport.pdf>, retrieved Apr. 25, 2005; Board of Governors of the Federal Reserve System, “Monetary Policy Report to the Congress,” Feb. 16, 2005, p. 23–24, found at <http://www.federalreserve.gov/boarddocs/hh/2005/february/fullreport.pdf>, retrieved Apr. 25, 2005; International Monetary Fund, “Exchange Rate Archives by Month,” found at [http://www.imf.org/external/np/fin/rates/param\\_rms\\_mth.cfm](http://www.imf.org/external/np/fin/rates/param_rms_mth.cfm), retrieved May 10, 2005. Exchange data for the Korean won based on won per dollar rates of 1,035.1 on Dec. 31, 2004, and 1,192.0 on Dec. 31, 2003. U.S. Federal Reserve, “Korea-Spot Exchange Rate, Won/US\$, H.10 Foreign Exchange Rates,” found at [http://www.federalreserve.gov/releases/h10/Hist/dat00\\_ko.htm](http://www.federalreserve.gov/releases/h10/Hist/dat00_ko.htm), retrieved on Apr. 5, 2005.

<sup>21</sup> Jonathan Weisman, “Trade Deficit Fell 9% in March; Chinese Imports Down,” *Washington Post*, May 12, 2005, p. E1; and James Flanigan, “Keep Watching Dollar, No Matter What China Does,” *Los Angeles Times*, May 8, 2005, p. C1.

<sup>22</sup> The exception was in 2001, when the trade deficit narrowed before expanding again the following year.

<sup>23</sup> The U.S. Department of Agriculture (USDA) reported a U.S. agricultural trade surplus of \$7.3 billion in 2004. USDA excludes certain items, such as distilled spirits, fish, shellfish, and manufactured tobacco products, from its definition of agriculture. Economic Research Service, USDA, “Foreign Agricultural Trade of the United States (FATUS): Monthly Summary,” June 10, 2005, found at <http://www.ers.usda.gov/data/fatus/monthlysummary.htm>, retrieved June 22, 2005. The Commission includes these items in the agricultural products sector figures presented in this report.

Table US-1

U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by major industry/commodity sectors, 2000–2004<sup>1</sup>

Item	2000	2001	2002	2003	2004	Change, 2004 from 2003	
						Absolute	Percent
	Million dollars						
U.S. exports of domestic merchandise:							
Agricultural products	59,112	60,109	58,345	64,706	66,908	2,202	3.4
Forest products	26,434	23,743	22,825	23,566	25,637	2,072	8.8
Chemicals and related products	92,433	91,274	91,702	102,330	121,383	19,054	18.6
Energy-related products	15,529	15,073	14,431	16,639	21,783	5,144	30.9
Textiles and apparel	20,353	18,118	17,298	17,033	17,663	630	3.7
Footwear	664	638	520	495	450	-45	-9.1
Minerals and metals	47,280	43,507	39,924	42,980	50,588	7,608	17.7
Machinery	79,508	69,552	63,262	63,462	76,744	13,282	20.9
Transportation equipment	143,393	144,325	144,655	142,948	155,902	12,954	9.1
Electronic products	188,989	160,610	140,428	140,838	149,450	8,611	6.1
Miscellaneous manufactures	16,872	16,428	15,004	14,859	16,923	2,064	13.9
Special provisions	21,721	22,644	21,205	21,570	23,753	2,183	10.1
Total	712,287	666,021	629,599	651,424	727,183	75,759	11.6
U.S. imports of merchandise for consumption:							
Agricultural products	52,159	52,599	55,591	60,899	67,012	6,114	10.0
Forest products	38,195	36,678	37,048	38,769	47,591	8,822	22.8
Chemicals and related products	95,295	98,564	106,924	123,922	141,683	17,760	14.3
Energy-related products	122,650	114,226	109,800	147,183	195,553	48,370	32.9
Textiles and apparel	80,909	79,946	81,585	87,241	94,045	6,804	7.8
Footwear	14,856	15,249	15,379	15,560	16,498	938	6.0
Minerals and metals	95,015	83,847	85,616	89,204	120,897	31,693	35.5
Machinery	89,407	84,867	85,181	93,138	108,564	15,427	16.6
Transportation equipment	223,242	221,907	227,147	232,212	253,775	21,562	9.3
Electronic products	277,854	229,571	229,245	238,833	280,146	41,313	17.3
Miscellaneous manufactures	67,322	66,575	72,129	74,765	83,226	8,461	11.3
Special provisions	48,436	48,605	49,165	48,372	51,171	2,799	5.8
Total	1,205,339	1,132,635	1,154,811	1,250,097	1,460,160	210,064	16.8
U.S. merchandise trade balance:							
Agricultural products	6,953	7,511	2,754	3,807	-104	-3,911	( <sup>2</sup> )
Forest products	-11,761	-12,935	-14,223	-15,204	-21,953	-6,750	-44.4
Chemicals and related products	-2,862	-7,290	-15,222	-21,592	-20,299	1,293	6.0
Energy-related products	-107,121	-99,153	-95,369	-130,544	-173,770	-43,226	-33.1
Textiles and apparel	-60,555	-61,828	-64,288	-70,208	-76,382	-6,174	-8.8
Footwear	-14,192	-14,611	-14,860	-15,065	-16,048	-983	-6.5
Minerals and metals	-47,735	-40,341	-45,692	-46,224	-70,309	-24,085	-52.1
Machinery	-9,899	-15,315	-21,919	-29,676	-31,820	-2,144	-7.2
Transportation equipment	-79,849	-77,583	-82,492	-89,264	-97,873	-8,609	-9.6
Electronic products	-88,865	-68,962	-88,817	-97,994	-130,696	-32,702	-33.4
Miscellaneous manufactures	-50,450	-50,147	-57,124	-59,906	-66,304	-6,397	-10.7
Special provisions	-26,715	-25,961	-27,960	-26,802	-27,418	-616	-2.3
Total	-493,052	-466,614	-525,212	-598,673	-732,977	-134,304	-22.4

<sup>1</sup>Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export.<sup>2</sup>Not meaningful for purposes of comparison.

Note.—Calculations based on unrounded data.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Following years of increasing deficits, U.S. trade in chemicals and related products recovered slightly in 2004. Imports of medicinal chemicals eased from their rapid pace of growth in 2001–2003, although they continued to climb, with imports from Ireland and other western European countries by U.S.-owned multinational chemical companies being the leading factor. U.S. exports of certain plastics materials and products also increased, largely to Mexico for further processing.

U.S. trade in energy-related products registered the largest trade deficit in 2004, as it has in every year since 2000, as well as the largest deficit increase, primarily because of higher-priced crude petroleum and natural gas. The electronic products sector recorded the second-largest trade deficit in 2004, as well as the second-largest deficit increase, as U.S. companies increasingly shifted production overseas to take advantage of lower production costs and to serve growing Asian markets.

Overall, the U.S. merchandise trade deficit, which has increased each year since 2001, grew by a record \$134.3 billion (22 percent) in 2004 to \$733.0 billion, its highest level in history. In addition, for the first time during 2000–2004, the value of the U.S. merchandise trade deficit in 2004 exceeded the value of U.S. merchandise exports, indicating that the United States imported twice as much merchandise as it exported in 2004.

### **U.S. Exports**

In 2004, U.S. exports in each merchandise sector except for footwear increased, for an overall rise of \$75.8 billion (12 percent) to \$727.2 billion, exceeding export levels in 2000 and recovering completely from the decline during 2000–2002 (see table US-1). Semiconductor manufacturing machinery, medicinal chemicals, and telephone and telegraph apparatus were the top three industry groups that contributed to the 2004 increase, accounting for \$13.1 billion (17 percent) of net export growth that year.

Semiconductor manufacturing equipment (SME) exports increased \$5.5 billion in 2004 to \$12.8 billion, almost reaching the previous 5-year peak of \$13.9 billion of 2000 (table US-2). SME trade rose substantially in 2004, largely because of a rise in U.S. and global demand for semiconductors, a drive by semiconductor producers to invest in more advanced manufacturing equipment, and the growth in the number of semiconductor production facilities outside of the United States.

Medicinal chemicals recorded annual export increases in each of the past 5 years for an overall growth of \$11.3 billion (72 percent) to \$27.1 billion in 2004. A structural combination of growing demand from aging populations, higher drug prices, and globalization of the industry contributed to these continued increases.

Telephone and telegraph apparatus exports recovered from the 5-year low recorded in 2003 and reached \$14.0 billion in 2004, an increase of \$3.0 billion (28 percent), but they remained below the \$20.1 billion 5-year peak in 2000. Increased demand for these products from the United States has been in part driven by greater investment in infrastructure equipment, increased demand for mobile devices, and the growing popularity of wireless data applications.

The most significant decrease in U.S. exports was recorded by the cattle and beef industry, which dropped by \$3.3 billion (84 percent) during the past 5 years to \$605 million (see table US-2). The 2004 decrease of \$2.9 billion (83 percent) was primarily the result of the discovery in the United States of the cattle disease BSE. Oilseed exports also declined significantly in 2004, falling \$1.2 billion (15 percent) to \$6.9 billion, reversing 4 years of increases. Exports of soybeans, which account for the vast majority of domestic oilseed production and exports, declined as the domestic crop was affected by bad weather and disease.

**Table US-2**  
**Leading changes in U.S. exports and imports of all sectors, 2000–2004<sup>1</sup>**

Industry/commodity group	2000	2001	2002	2003	2004	Change, 2004 from 2003	
						Absolute	Percent
	Million dollars						
<b>U.S. EXPORTS:</b>							
<b>Increases:</b>							
Semiconductor manufacturing machinery (MM087A) ..	13,866	8,044	6,972	7,242	12,790	5,548	76.6
Medicinal chemicals (CH025) .....	15,772	18,169	18,742	22,527	27,098	4,571	20.3
Telephone and telegraph apparatus (ET017) .....	20,147	16,506	12,952	10,946	13,958	3,013	27.5
Aircraft engines and gas turbines (ET001) .....	15,011	16,524	15,498	14,742	17,706	2,964	20.1
Petroleum products (CH005) .....	9,562	8,936	8,662	9,783	12,651	2,868	29.3
Certain organic chemicals (CH012) .....	8,257	7,774	7,668	8,857	11,283	2,426	27.4
Cereals (AG030) .....	9,467	9,397	9,929	10,429	12,683	2,253	21.6
Construction and mining equipment (ET004) .....	9,507	9,903	9,504	9,461	11,689	2,228	23.5
<b>Decreases:</b>							
Cattle and beef (AG002) .....	3,859	3,335	2,952	3,501	605	-2,896	-82.7
Oilseeds (AG032) .....	5,419	5,642	5,790	8,153	6,911	-1,242	-15.2
Computers, peripherals, and parts (ET035) .....	45,392	38,125	29,534	28,038	27,350	-688	-2.5
<b>All other</b> .....	556,027	523,668	501,393	517,745	572,458	54,713	10.6
<b>TOTAL</b> .....	712,287	666,021	629,599	651,424	727,183	75,759	11.6
<b>U.S. IMPORTS:</b>							
<b>Increases:</b>							
Crude petroleum (CH004) .....	56,546	49,673	54,704	73,527	100,338	26,811	36.5
Petroleum products (CH005) .....	39,787	34,372	30,594	37,280	51,579	14,299	38.4
Computers, peripherals, and parts (ET035) .....	90,384	74,547	75,817	76,940	89,264	12,324	16.0
Steel mill products (MM025) .....	15,026	11,630	12,203	10,499	21,559	11,060	105.3
Motor vehicles (ET009) .....	129,568	127,257	133,264	134,286	142,750	8,464	6.3
Telephone and telegraph apparatus (ET017) .....	32,130	27,174	27,948	30,982	39,341	8,359	27.0
Television receivers and video monitors (ET022) .....	7,713	8,615	10,586	12,654	17,509	4,856	38.4
<b>Decreases:</b>							
Aircraft, spacecraft, and related equipment (ET013) ..	18,019	21,027	17,636	16,910	16,485	-426	-2.5
<b>All other</b> .....	816,167	778,340	792,059	857,019	981,336	124,317	14.5
<b>TOTAL</b> .....	1,205,339	1,132,635	1,154,811	1,250,097	1,460,160	210,064	16.8

<sup>1</sup>Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export.

Note.—Calculations based on unrounded data.

Source: Compiled from official statistics of the U.S. Department of Commerce.

## **U.S. Imports**

In 2004, U.S. imports for all merchandise sectors recorded an overall increase of \$210.1 billion (17 percent) to about \$1.5 trillion (see table US-1). Although a number of industry groups recorded major (\$1.5 billion and greater) growth in imports in 2004, crude petroleum and petroleum products, computers and parts, and steel mill products accounted for 31 percent of the net import increase (see table US-2).

The largest factor in the 2004 rise in crude petroleum imports, which increased \$26.8 billion (37 percent) to \$100.3 billion, was higher world prices. Imports of petroleum products increased \$14.3 billion (38 percent) to \$51.6 billion in 2004, also reflecting higher world prices. Imports of computers, peripherals, and parts rose \$12.3 billion (16 percent) to \$89.3 billion in 2004, driven by continued demand for portable computer products such as laptops, the adoption of newer technologies, and the shift of production facilities to China.

The most significant import decreases in 2004 were recorded by aircraft, spacecraft, and related equipment (see table US-2), down \$426 million (3 percent) to \$16.5 billion in 2004. Import figures for this industry group have declined every year since 2001, when imports reached \$21.0 billion, reflecting the significantly challenging environment in which the global airline industry has been operating during this period, particularly the U.S. airline industry.

### **SIGNIFICANT SHIFTS IN U.S. BILATERAL/MULTILATERAL TRADE**

The growth of the U.S. merchandise trade deficit in 2004 reflected further consolidation of the changes in key U.S. trading patterns that began at the start of the decade. Table US-3 shows U.S. bilateral merchandise trade with its 10 largest partners (ranked by total trade) and with selected country groups in 2004. The U.S. merchandise trade deficit increased as a whole and grew bilaterally as well with each of the five major U.S. partners, in descending order, the EU, Canada, Mexico, China, and Japan.<sup>24</sup>

The rapidly expanding U.S. merchandise trade deficit with China reflects the ever-increasing dependence of the U.S. market on imports from China. In 2000 the two largest bilateral merchandise trade deficits for the United States were with China and Japan, approximately \$84 billion each. By 2004, China's merchandise trade deficit with the United States had almost doubled to \$163.6 billion (the largest expansion among all U.S. trading partners for the third consecutive year), while Japan had only the fourth-largest deficit (\$79.0 billion). As a percentage of the total U.S. merchandise trade deficit, China represented 17 percent in 2000 and 22 percent in 2004. As in 2003, a major contributing factor to the widening merchandise trade deficit with China is increased production by foreign manufacturers in China.

In 2004 the United States exported more merchandise to and imported more merchandise from each of the five major U.S. trading partners than in any previous year. U.S. merchandise exports to and imports from countries in the sub-Saharan African region and beneficiary countries of the Caribbean Basin Economic Recovery Act (CBERA) also rose in 2004, although imports from these regions increased at roughly 2–4 times the rate of exports to these areas, resulting in a merchandise trade deficit that almost doubled for CBERA beneficiary countries, to \$4.6 billion, and increased almost 50 percent for sub-Saharan African countries, to \$27.5 billion. CBERA beneficiary countries, as well as sub-Saharan African countries that benefit from the Africa Growth and Opportunity Act, receive preferential treatment of their exports to the United States. More detailed analysis of these and other trade shifts with the four largest U.S. merchandise trading partners, as well as an examination of U.S. merchandise trade with Korea, the sixth-largest and an increasingly important U.S. trading partner, is provided in the following country overviews.

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<sup>24</sup> This order remained unchanged from 2003. For the last 5 years, these trading partners have been the top five U.S. partners in terms of total trade, although the United States may not have been one of their top trading partners. No individual EU country was consistently ranked among the top five overall U.S. trade partners during this time.

Table US-3

All merchandise sectors: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by selected countries and country groups, 2000–2004<sup>1</sup>

Item	2000	2001	2002	2003	2004	Change, 2004 from 2003	
						Absolute	Percent
	Million dollars						
U.S. exports of domestic merchandise:							
Canada	155,601	144,621	142,543	148,749	163,168	14,419	9.7
Mexico	100,442	90,537	86,076	83,108	93,018	9,910	11.9
China	15,335	17,959	20,553	26,707	32,606	5,899	22.1
Japan	60,751	53,546	48,273	48,862	50,493	1,631	3.3
Germany	27,403	28,068	24,870	26,806	27,223	417	1.6
United Kingdom	38,148	37,097	30,243	30,556	31,734	1,178	3.9
Korea	26,302	20,900	21,151	22,525	24,994	2,470	11.0
Taiwan	22,404	16,626	16,786	16,111	20,343	4,232	26.3
France	18,921	18,626	17,522	15,683	19,626	3,943	25.1
Malaysia	10,123	8,555	9,457	10,124	9,985	-139	-1.4
All Other	236,858	229,487	212,125	222,194	253,994	31,800	14.3
Total	712,287	666,021	629,599	651,424	727,183	75,759	11.6
EU-15	152,652	147,327	132,563	138,138	151,962	13,824	10.0
OPEC	18,234	18,934	17,664	16,308	20,570	4,263	26.1
Latin America	156,292	145,252	134,284	131,236	149,534	18,298	13.9
CBERA	20,728	20,117	20,702	22,184	22,999	815	3.7
Asia	185,282	165,879	160,628	172,329	192,485	20,156	11.7
Sub-Saharan Africa	5,563	6,750	5,892	6,665	8,236	1,571	23.6
Central and Eastern Europe	2,743	2,888	2,575	3,190	3,942	752	23.6
U.S. imports of merchandise for consumption:							
Canada	229,060	216,836	210,518	224,016	255,660	31,644	14.1
Mexico	134,734	130,509	134,121	137,199	154,959	17,760	12.9
China	99,581	102,069	124,796	151,620	196,160	44,539	29.4
Japan	145,742	126,139	121,262	118,485	129,535	11,050	9.3
Germany	58,349	58,939	60,985	66,532	75,622	9,090	13.7
United Kingdom	42,843	41,118	40,429	42,455	45,920	3,464	8.2
Korea	39,829	34,917	35,284	36,930	45,064	8,135	22.0
Taiwan	40,384	33,262	32,054	31,490	34,462	2,972	9.4
France	29,435	30,024	28,232	28,896	31,505	2,609	9.0
Malaysia	25,447	22,228	23,953	25,321	28,070	2,749	10.9
All Other	359,936	336,594	343,176	387,153	463,205	76,052	19.6
Total	1,205,339	1,132,635	1,154,811	1,250,097	1,460,160	210,064	16.8
EU-15	218,375	218,911	223,732	242,210	270,249	28,038	11.6
OPEC	62,934	55,728	50,649	65,300	92,038	26,738	40.9
Latin America	206,087	196,096	202,149	215,298	253,154	37,856	17.6
CBERA	22,161	20,679	21,255	24,500	27,555	3,056	12.5
Asia	443,490	399,750	419,909	449,094	526,404	77,311	17.2
Sub-Saharan Africa	22,213	21,060	18,208	25,470	35,769	10,299	40.4
Central and Eastern Europe	6,385	6,696	6,822	8,344	9,716	1,373	16.5

See footnote(s) at end of table.



Table US-3—Continued

All merchandise sectors: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by selected countries and country groups, 2000–2004<sup>1</sup>

						Change, 2004 from 2003	
Item	2000	2001	2002	2003	2004	Absolute	Percent
	Million dollars						
U.S. merchandise trade balance:							
Canada .....	-73,459	-72,215	-67,975	-75,267	-92,492	-17,225	-22.9
Mexico .....	-34,292	-39,971	-48,045	-54,091	-61,941	-7,850	-14.5
China .....	-84,245	-84,110	-104,243	-124,913	-163,553	-38,640	-30.9
Japan .....	-84,991	-72,593	-72,989	-69,623	-79,042	-9,419	-13.5
Germany .....	-30,946	-30,871	-36,115	-39,726	-48,399	-8,673	-21.8
United Kingdom .....	-4,695	-4,021	-10,186	-11,899	-14,186	-2,287	-19.2
Korea .....	-13,526	-14,018	-14,133	-14,405	-20,070	-5,665	-39.3
Taiwan .....	-17,980	-16,636	-15,268	-15,379	-14,119	1,260	8.2
France .....	-10,514	-11,398	-10,710	-13,213	-11,879	1,335	10.1
Malaysia .....	-15,325	-13,673	-14,497	-15,197	-18,085	-2,889	-19.0
All Other .....	-123,078	-107,107	-131,052	-164,959	-209,211	-44,252	-26.8
Total .....	-493,052	-466,614	-525,212	-598,673	-732,977	-134,304	-22.4
EU-15 .....	-65,723	-71,584	-91,169	-104,072	-118,287	-14,215	-13.7
OPEC .....	-44,699	-36,794	-32,985	-48,992	-71,467	-22,475	-45.9
Latin America .....	-49,795	-50,844	-67,865	-84,061	-103,620	-19,559	-23.3
CBERA .....	-1,433	-562	-552	-2,316	-4,557	-2,241	-96.8
Asia .....	-258,208	-233,871	-259,281	-276,765	-333,920	-57,155	-20.7
Sub-Saharan Africa .....	-16,649	-14,310	-12,316	-18,806	-27,533	-8,728	-46.4
Central and Eastern Europe .....	-3,642	-3,808	-4,247	-5,154	-5,774	-621	-12.0

<sup>1</sup>Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export.

Note.—Calculations based on unrounded data. The countries shown are those with the largest total U.S. trade (U.S. imports plus exports) in these products in 2004.

Source: Compiled from official statistics of the U.S. Department of Commerce.